

Message Text

UNCLASSIFIED

PAGE 01 STATE 122565

11

ORIGIN EUR-04

INFO OCT-01 ISO-00 /005 R

DRAFTED BY:EUR/RPE:MHLEVINE

EUR/RPE:MHLEVINE

----- 106191

R 102331Z JUN 74

FM SECSTATE WASHDC

TO USMISSION NATO

UNCLAS STATE 122565

FOLLOWING OECD PARIS 13819 SENT STATE JUN 9 RPT TO YOU
QUOTE

UNCLS OECD PARIS 13819

E.O. 11652: N/A

TAGS: AORG, OECD

SUBJECT: OECD PENSION SCHEME

REF: OECD PARIS 13420

1. SECRETARY-GENERAL PLANS TO APPEAL TO HEADS OF
DELEGATION AT MEETING OF JUNE 11 FOR EARLY AND
FAVORABLE RESOLUTION ON ISSUE OF ADJUSTMENT OF
PENSIONS TO REMOVE INJUSTICE CAUSED BY CALCULATING
TAXABLE PENSIONS ON BASIS OF TAX-EXEMPT SALARIES.
SECRETARY-GENERAL CONCERNED OVER SLOW PACE CCG
DISCUSSIONS AND FEARFUL THAT APPROPRIATE SOLUTION
NOT BE REACHED IN NEAR FUTURE BY CCG.
REQUEST DETAILED INSTRUCTIONS REFTEL PRIOR HEADS OF
DELEGATION DISCUSSIONS.

2. TEXT OF SECRETARY-GENERAL'S LETTER TO ALL HEADS OF
DELEGATION QUOTED BELOW:

"THE COUNCILS OF THE CO-ORDINATED ORGANISATIONS
HAVE INVITED THE CO-ORDINATING COMMITTEE OF GOVERNMENT
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 STATE 122565

BUDGET EXPERTS TO CONSIDER WHAT SOLUTION SHOULD BE

RETAINED AS REGARDS THE PROVISIONS TO APPLY TO THE PENSION SCHEME CONCERNING TAXATION.

"THIS EXAMINATION IS NOW TAKING PLACE WITHIN THE CO-ORDINATING COMMITTEE WHICH HAS REACHED THE CONCLUSION THAT AS A MATTER OF PRINCIPLE PENSIONS SHOULD NOT BE EXEMPT FROM NATIONAL TAXATION.

"THE COMMITTEE IS, HOWEVER, AWARE THAT THIS RAISES A FUNDAMENTAL PROBLEM, AS PENSIONS HAVE BEEN FIXED IN THEIR 94TH REPORT (C(74)15) AS A PERCENTAGE OF SALARIES WHICH ARE THEMSELVES NOT SUBJECT TO NATIONAL TAX AND ARE THEREFORE AT A LOWER LEVEL THAN THEY OTHERWISE WOULD BE. FURTHER IT HAS GENERALLY BEEN AGREED THAT THE BENEFITS PROVIDED BY THE PROPOSED PENSION SCHEME SHOULD BE COMPARABLE WITH THOSE ENJOYED BY THE EUROPEAN COMMUNITIES' STAFF AND, AS DETAILED STUDIES HAVE SHOWN, THIS AIM WOULD BE VERY FAR FROM BEING ATTAINED IF THE PENSIONS PAID BY THE CO-ORDINATED ORGANISATIONS WERE TAXED.

"A LARGE MAJORITY OF THE CO-ORDINATING COMMITTEE HAVE THEREFORE RECOGNISED THAT SOME CORRECTIVE MEASURES SHOULD BE TAKEN IN ORDER TO REMEDY THIS SITUATION AND THEY ENVISAGE A SYSTEM WHICH WOULD CONSIST IN GROSSING UP PENSIONS TO TAKE ACCOUNT OF TAX LEVIED BY THE NATIONAL TAX AUTHORITIES. THIS SYSTEM IS NOW UNDER CONSIDERATION, BUT FROM THE FIRST DISCUSSIONS THE REPRESENTATIVES OF THE SECRETARIES GENERAL HAVE GATHERED THE IMPRESSION THAT SOME COUNTRIES ENVISAGED ONLY PARTIAL COMPENSATION.

"I WOULD LIKE IN THE MEANTIME TO INFORM HEADS OF DELEGATIONS OF THE SECRETARIES-GENERAL'S POSITION IN THIS MATTER: WE CONSIDER THAT THE SIMPLEST AND FAIREST SOLUTION WOULD BE TO EXEMPT PENSIONS FROM NATIONAL TAXATION, IN THE SAME WAY AS SALARIES. SALARIES IN THE ORGANISATIONS ARE ADJUSTED DOWNWARDS TO TAKE TAX EXEMPTION INTO ACCOUNT. IF PENSIONS WERE TO BE TAXED, IT WOULD ONLY BE EQUITABLE TO ADJUST THE BASIS ON WHICH UNCLASSIFIED

UNCLASSIFIED

PAGE 03 STATE 122565

THE PENSIONS ARE CALCULATED TO ACHIEVE COMPARABILITY WITH THOSE ENJOYED BY INDIVIDUALS IN LIKE CIRCUMSTANCES IN OTHER ADMINISTRATIONS. I ATTACH ILLUSTRATIVE CASES IN SUPPORT OF THIS POSITION.

"WITH THIS IN MIND THE SECRETARIES-GENERAL HAVE PUT FORWARD SEVERAL PROPOSALS TO THE CO-ORDINATING COMMITTEE, WITH SPECIAL EMPHASIS ON THE INTRODUCTION OF

A SYSTEM OF INTERNAL TAX OF THE SAME TYPE AS THAT IN
FORCE IN THE COMMUNITIES.

"WHILE WE CAN UNDERSTAND THAT IN A NUMBER OF
COUNTRIES SUCH A SOLUTION WOULD RAISE DIFFICULTIES WE
ARE TOTALLY OPPOSED TO ANYTHING LESS THAN FULL

COMPENSATION FOR TAXES LEVIED ON PENSIONS. EVEN FULL
COMPEHSATION WOULD RESULT IN PUTTING RETIRED STAFF IN A
LESS FAVOURABLE POSITION THAN DURING THEIR ACTIVE
SERVICE UNLESS SPECIAL CONSIDERATION IS GIVEN TO ANY
ADDITIONAL PENSIONS OR OTHER INCOME WHICH THEY THEMSELVES
OR THEIR SPOUSES MIGHT HAVE. AND INDEED THE PROBLEM OF
A SECOND INCOME IS ONE THAT CANNOT BE LOST SIGHT OF AND
SHOULD BE TAKEN INTO ACCOUNT IN ANY COMPENSATION SYSTEM
THAT MIGHT HAVE TO BE SET UP.

"THIS WHOLE PROBLEM IS OF SUCH VITAL IMPORTANCE
THAT I WISH TO TAKE IT UP WITH HEADS OF DELEGATIONS AND
I PROPOSE TO DO SO ON TUESDAY 11TH JUNE. THIS MEETING
COULD ALSO BE THE OCCASION FOR A FIRST EXCHANGE OF VIEWS
ON THE REPORT BY THE COUNCIL WORKING PARTY ON STAFF
POLICY (C(74)102) ON THE ESTABLISHMENT OF A PENSION
SCHEME FOR THE CO-ORDINATED ORGANISATIONS. THERE ARE
IN THIS REPORT A NUMBER OF POINTS ON WHICH I WOULD LIKE
TO COMMENT.

"I SINCERELY HOPE THAT HEADS OF DELEGATION WILL
FIND THEMSELVES IN A POSITION TO ENDORSE THESE VIEWS
SO THAT THE CO-ORDINATING COMMITTEE CAN BE INFORMED
ACCORDINGLY BEFORE IT CONCLUDES ITS WORK.

"ACCEPT, SIR, THE ASSURANCES OF MY HIGHEST
UNCLASSIFIED

UNCLASSIFIED

PAGE 04 STATE 122565

CONSIDERATION. E. VAN LEHNEP"

LETTER WITH ATTACHMENT FORWARDED TO EUR/RPE JUNE 5.
BROWN UNQUOTE SISCO

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 JUN 1974
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE122565
Document Source: CORE
Document Unique ID: 00
Drafter: EUR/RPE:MHLEVINE
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D740149-0810
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740658/aaaabydk.tel
Line Count: 158
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: OECD PARIS 13420
Review Action: RELEASED, APPROVED
Review Authority: martinjw
Review Comment: n/a
Review Content Flags:
Review Date: 04 JUN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <04 JUN 2002 by phillir0>; APPROVED <09 JAN 2003 by martinjw>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: OECD PENSION SCHEME
TAGS: AORG, OECD
To: NATO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005